

8/10
NEW NUMBER

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

ROBERT W. ALVORD*
CARL C. DAVIS*
CHARLES T. KAPPLER
JOHN H. DOYLE*
GEORGE JOHN KETO*
MILTON C. GRACE*
JAMES C. MARTIN, JR.*

*NOT A MEMBER OF D.C. BAR
*ALSO ADMITTED IN NEW YORK
*ALSO ADMITTED IN OHIO
*ALSO ADMITTED IN MARYLAND

LAW OFFICES
ALVORD AND ALVORD

200 WORLD CENTER BUILDING
918 SIXTEENTH STREET, N.W.
WASHINGTON, D.C.
20006-2973

OF COUNSEL
JESS LARSON
JOHN L. INGOLDSBY
URBAN A. LESTER

CABLE ADDRESS
"ALVORD"

TELEPHONE
AREA CODE 202
393-2266

TELEX
440367 A AND A

15000

RECORDATION NO. 1425

JUL 17 1986 - 1 40 PM July 17, 1986

INTERSTATE COMMERCE COMMISSION

No. 6-198A012
Date JUL 17 1986
Fee \$ 10.00

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
Washington, D.C.

ICC Washington, D.C.

Dear Ms. McGee:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303 are the original and three certified copies of a Lease Agreement dated as of May 15, 1986, a primary document as defined in the Commission's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Lessor: Greenbrier Leasing Corporation
One Centerpointe Drive, Suite 200
Lake Oswego, Oregon 97034

Lessee: Southern Pacific Transportation Company
One Market Plaza
San Francisco, California 94105

A description of the railroad equipment covered by the enclosed document is set forth in Schedule A attached hereto and made a part hereof.

Also enclosed is a check in the amount of \$10 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Kindly return the original and two certified copies of the enclosed document to Charles T. Kappler, Esq., Alvord and Alvord, 918 Sixteenth Street, N.W., Washington, D.C. 20006.

Charles T. Kappler

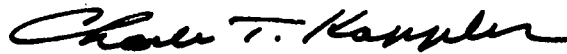
ICC OFFICE OF
THE SECRETARY
JUL 17 1 39 PM '86
MOTOR OPERATING UNIT

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
July 17, 1986
Page Two

A short summary of the enclosed primary document to appear in the Commission's Index is:

Lease Agreement dated as of May 15, 1986 between Greenbrier Leasing Corporation, Lessor, and Southern Pacific Transportation Company, Lessee, covering one hundred fifty (150) 70-ton general service flatcars.

Very truly yours,


Charles T. Kappler

Enclosures

SCHEDULE A

Equipment: 150 57', 70-ton general service flatcars (after rehabilitation), built in 1966-1968. The cars will bear reporting marks as follows:

SP 700050 - SP 700199, inclusive

I, Janet E. Hudson, a notary public in the State of Oregon, having compared this copy to the original, certify that this copy is a true and complete copy, identical in every respect to the original.

Signed: *Janet E. Hudson*
My Commission Expires: 5-28-90

15000
REGISTRATION NO. _____ Filed 1428

LEASE AGREEMENT JUL 17 1986 :1 40 PM

INTERSTATE COMMERCE COMMISSION

LEASE of Equipment, dated as of the 15th day of May, 1986 between Greenbrier Leasing Corporation ("LESSOR"), a Delaware Corporation with principal offices at Lake Oswego, Oregon and Southern Pacific Transportation Company ("LESSEE"), a Delaware Corporation with principal offices at San Francisco, California.

In consideration of the mutual covenants and promises herein, Lessor hereby leases to Lessee the equipment described in the attached Appendix A (individually an "Item of Equipment" and collectively the "Equipment"), upon the following terms and conditions:

1. Delivery of Equipment. Lessor shall deliver the Equipment to Lessee at the delivery point identified in Appendix A.

2. Rental. As consideration for use of this Equipment in rail service, Lessee shall pay Lessor the monthly rental set forth in Appendix A (the "Fixed Rent"). The Fixed Rent shall be paid by Lessee in advance on the first day of each calendar month until the Equipment is returned to Lessor pursuant to Section 9 hereof. Any amount past due shall bear interest at the rate of 1 1/2 percent per month until paid. Any car hire or rental earnings generated by the Equipment during the Initial Term or any extension thereof are for the sole account of the Lessee.

3. Term of Lease. This Lease shall become effective, as to any Item of Equipment leased hereunder, on the date Lessor delivers said Item of Equipment to Lessee and Lessee accepts the Item of Equipment, pursuant to an Acceptance Supplement in the form of Appendix B, attached hereto, and shall remain in effect for four (4) years from the first of the month following the date on which the last Item of Equipment is delivered to Lessee and accepted (the "Lease Term").

4. Title to Equipment. It is expressly understood and agreed that this is a leasing contract only. Lessee acknowledges and agrees that it shall not, by virtue of this Agreement or the possession or use of the Equipment, acquire right, title or interest to any equipment leased hereunder.

5. Maintenance and Repair. Lessor shall, at its expense, cause the Equipment to be maintained in good order and repair, and in satisfactory condition for interchange in accordance with the Interchange Rules of the Association of American Railroads (the "Interchange Rules").

6. Warranty; Net Lease. Lessor has made no warranties, expressed or implied, including WARRANTIES OF MERCHANTABILITY AND

FITNESS FOR PURPOSE with respect to the vehicles or any part thereof, Lessor will make available to Lessee the benefits provided under car manufacturer's warranty, if any.

This Lease is a net lease and Lessee acknowledges and agrees that Lessee's obligation to pay all Fixed Rent payable hereunder, and the rights of Lessor in and to such Fixed Rent, shall be absolute and unconditional and shall not be subject to any abatement, reduction, setoff, defense, counterclaim or recoupment whatsoever, including those due or alleged to be due to, or by any reason of, any past, present or future claims which Lessee may have against Lessor, the manufacturer, any lenders or against any person for any reason whatsoever; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of Lessor or Lessee be otherwise affected by reason of any defect in the Cars, the condition, design, operation or fitness for use thereof, or any damage to, or any loss or destruction of, or any liens, encumbrances, security interests or rights of others with respect to the Cars, any prohibition or interruption of or other restriction against Lessee's use, operation or possession of the Cars, the interference with such use, operation or possession by any private person or entity, or by reason of any other indebtedness or liability, howsoever and whenever arising, Lessee or any lenders to Lessee, or by reason or any insolvency, bankruptcy or similar proceedings by or against lessee, or for any other cause whether similar or dissimilar to the foregoing, any present law to the contrary notwithstanding, it being the intention of the parties hereto that the Fixed Rent payable by Lessee hereunder shall continue to be payable in all events and in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

7. Lost, Destroyed or Damaged Equipment. If any of the Equipment is lost, destroyed or damaged during the Lease Term, Lessee shall promptly deliver to Lessor written notice thereof and shall within thirty (30) days after such loss, destruction, or damage:

(a) In the case of loss or total destruction, pay to Lessor the amount specified under AAR Interchange Rule 107 as the casualty pay-out for such equipment, less salvage value, if any, if the Equipment is returned to Lessor; or (b) in the case of partial destruction, at Lessee's election either (i) pay to Lessor a sum of money as shall be required to repair the equipment and restore it to good order and repair, ordinary wear and tear accepted, or (ii) restore such equipment to good order and repair, ordinary wear and tear accepted.

8a. Taxes. Lessee shall timely pay, or promptly reimburse Lessor should payment be made by it, all Federal, State or local property, sales, use or other taxes, duties, impositions, assessments of

charges (collectively, the "Impositions") (excluding any federal, state or local income taxes) levied or imposed upon, measured by or exacted because of the use or leasing of the Equipment by Lessee, and will, at all times during the term hereof, keep the Equipment and each part thereof, free and clear of all taxes, assessments, or other charges which might in any way affect or impair the title of Lessor to, or its interest in, the Equipment or result in a lien thereon. Lessee further agrees that it will promptly pay or reimburse Lessor for any interest or penalties payable by Lessor resulting from any delay in paying any of the Impositions which Lessee has herein agreed to pay or reimburse. If, during the Lease Term, Lessee becomes liable for the payment or reimbursement of any charges, interest or penalties pursuant to this Section, such liability shall continue, notwithstanding the termination of this Lease, until all charges, interest or penalties are paid or reimbursed by Lessee. Notwithstanding the foregoing, Lessee shall not be required to pay any Imposition, or any interest or penalty thereon, as long as it shall be protesting payment in good faith or by appropriate legal or administrative proceedings contesting the validity or amount thereof, nor shall Lessee be required to pay any Imposition, or any interest or penalty thereon, which accrued before the Equipment was delivered to Lessee or after its return. All sales or other taxes levied in connection with Lessors' acquisition or prior use of the leased cars shall be paid by Lessor.

8b. Insurance. Lessee shall be responsible for all insurance costs with respect to the Equipment while this Agreement is in effect.

9. Return of Equipment. Upon termination of this Lease for any reason as to any Item of Equipment, Lessee shall return the Equipment to Lessor by making the Equipment available to Lessor at any point on the Lessee's lines as designated by Lessor, in the same condition as when delivered to Lessee, ordinary wear and tear accepted. Upon termination of the Lease, Lessee shall permit Lessor to store the Equipment upon Lessee's track free of charge for a period of ninety (90) days, at the sole risk of Lessor.

10. Liability of Lessor. Lessor shall not be liable for physical injuries (including death) to persons (including, but not limited to, officers, employees and agents of Lessee and of its contractors, suppliers and third parties) or damage to property arising out of the use or operation of the Equipment or the performance by Lessee of any work relating to the Equipment during the period that Lessee has possession and control of the Equipment.

11. Assignment and Encumbrance. Lessee shall not, without the prior written consent of Lessor, assign, transfer or encumber its leasehold interest under this Lease, the Equipment or any portion thereof; provided, however, that so long as no default exists

hereunder, Lessee shall be entitled to sublease one or more of the Items of Equipment to, or to permit their use under the terms of car contracts by, one or more sublessees or users, provided such subleases are (i) necessary, appropriate or helpful to the conduct of Lessee's business, and (ii) for a term which may not extend beyond the Lease Term. Lessee, at its own expense, will, as soon as possible, cause to be duly discharged any lien, charge or other encumbrance which may be imposed on or with respect to any of the Equipment during the term of this Agreement as a result of Lessee's action or inaction with respect thereto.

12. Remedies on Default. If Lessee shall attempt to sell, assign or encumber or dispose of the Equipment or any interest therein, or if Lessee defaults in the performance of any of the covenants, conditions or provisions of this Lease and such default continues after thirty (30) days notice to and demand on Lessee to cure such default or if Lessee fails to make payment within 10 days of due date, Lessor may immediately and without notice to Lessee, recover possession of the Equipment and/or terminate this Lease. Lessee shall promptly reimburse Lessor for any and all costs or expenses of Lessor (including, but not limited to, transportation costs to return the Equipment to the Delivery Point and reasonable attorney's fees) in connection with such recovery of possession and shall also pay Lessor any rents or other amounts owing to Lessor to and including the date upon which the Equipment is returned to Lessor, including interest on any such amounts.

13. Compliance with Laws and Rules. Lessee will comply in all respects with all laws of the jurisdiction in which its operations involving the Equipment may extend, and with all lawful rules of the U.S. Department of Transportation and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the operation or use of the Equipment.

14. Agreement Embodies Understanding of Parties. This Agreement contains the entire understanding of Lessor and Lessee with respect to the subject matter hereof and supersedes any and all prior written and oral agreements, if any. There are no representations, covenants, agreements or warranties other than those expressly set forth herein. No change, modification or amendment of this Agreement shall be effective unless in writing and signed by both parties.

15. Lessee Insolvency. This Agreement shall terminate at Lessor's option and without notice if Lessee is generally not paying its debts as such debts become due or becomes insolvent or bankrupt or admits in writing its inability to pay its debts as they mature or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee or receiver for any of its

properties or assets. In the event that this Agreement is so terminated, Lessee shall at Lessee's sole expense assemble and return all Equipment to a location or locations designated by Lessor, or Lessor may enter Lessee's premises where the Equipment is found and take immediate possession and remove the Equipment without legal process. The taking of the Equipment by Lessor does not release the Lessee from Lessee's obligations and indemnities provided hereunder including but not limited to Lessee's obligation for the payment of rents, taxes and other costs and expenses as provided herein, including the cost of retaking the Equipment.

16. Waiver. A waiver of any breach of this Agreement by either party hereto, shall not be deemed a waiver of any repetition of such breach or in any way affect any other terms or conditions hereof.

17. Severability of Agreement. If any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

18. Notices. All notices and other communications provided for hereunder shall be sent by U.S. mail, cablegram, telex or telephone and, if verbal, confirmed in writing (by U.S. mail) within two (2) days, and shall be effective when dispatched if by a cable, telex or telephone (if thereafter confirmed as provided above), or, if by mail, five (5) days after the date of mailing. Any such notice shall be addressed to the parties at the addresses set forth above.

19. Legal Effect. Nothing contained in this Agreement shall be deemed to be nor is intended to be inserted for the purpose of creating a joint venture, partnership, or sponsorship agreement, and Lessee and Lessor agree that they will, under no circumstances, hold themselves out as being a party to any such agreement or arrangement with each other.

20. Governing Law. This Lease is to be construed in accordance with the laws of the State of Delaware, irrespective of the place of business of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

SOUTHERN PACIFIC TRANSPORTATION, INC.

By: L. V. Peters
Manager - Miscellaneous Contracts

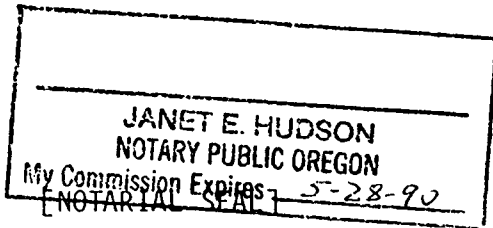
GREENBRIER LEASING CORPORATION

By: Norris M. Webb, VP.

L5291.1

STATE OF OREGON)
)SS
COUNTY OF CLACKAMAS)

On this 30th day of May, 1986, before me personally appeared Norriss M. Webb, to me personally known, who being by me duly sworn, says that he is the Vice President of GREENBRIER LEASING CORPORATION, that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

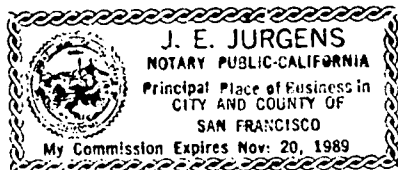


Janet E. Hudson
NOTARY PUBLIC

My commission expires: 5-28-90

STATE OF CALIFORNIA)
)SS
COUNTY OF SAN FRANCISCO)

On this 5th day of JUNE, 1986, before me personally appeared L. H. PETERS, to me personally known, who being by me duly sworn, says that he is the Mgr. - Misc. Contractors of SOUTHERN PACIFIC TRANSPORTATION COMPANY, that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



[NOTARIAL SEAL]

J. E. Jurgens
NOTARY PUBLIC

My commission expires:

11-20-89

APPENDIX A TO LEASE AGREEMENT

Lessor: Greenbrier Leasing Corporation

Lessee: Southern Pacific Transportation Company

Date of Lease: May 15, 1986

Delivery Point: Portland, Oregon

Monthly Rental:

Equipment: 150 57', 70-ton general service flatcars (after rehabilitation), built in 1966-1968. The cars will bear reporting marks as follows:

SP 700050 - SP 700199, inclusive

Lessor
By: Warren M. Webb, V.P.
Date: June 4, 1986

Lessee
By: _____
Date: _____

L5291.1

CERTIFICATE OF ACCEPTANCE

The Southern Pacific Transportation Company hereby accepts for service the following 57 foot 70-ton general service flatcars under Lease Agreement dated May 15, 1986 with Greenbrier Leasing Corporation

Old Car #	New Car #	Date	Location
-----------	-----------	------	----------

GREENBRIER LEASING CORP.

By: _____

Date: _____

L5291.1

SOUTHERN PACIFIC TRANSPORTATION CO.

By: _____

Date: _____